



Office of the Mayor

NEWS RELEASE

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Luecke plans to reduce abandoned houses by 72%

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Mayor Stephen J. Luecke today introduced a three-year, \$6.825 million strategy to reduce South Bend's vacant houses by more than one-fifth, with most of the focus aimed at reducing abandoned houses by 72 percent.

The comprehensive strategy includes the demolition of 400 derelict houses and the revitalization of 45 distinctive properties in targeted neighborhoods. It builds on the city's existing work in code enforcement, on public-private homebuilding partnerships with successful track records and on a national trend of homebuyers returning to urban neighborhoods.

The centerpiece of the strategy is a public-private effort to attract all income levels of homebuyers to targeted city neighborhoods, initially concentrated on the city's west and northwest sides. Over three years, the city would make available 45 homes to nonprofit community development corporations. The nonprofits would market and sell the properties for \$1 apiece to owner occupants or developers who would refurbish them. The eventual owner occupant must reside in the home for five years.

Total cost of the strategy is almost evenly divided as a \$3.45 million outlay by the city is used to leverage an anticipated \$3.375 million private investment.

"With this comprehensive strategy, today marks a turning point for troubled properties in South Bend and a significant step toward returning them to productive and active use," Luecke said. "Prospective homeowners will be drawn to these \$1 homes because of the city's heritage and the quality of life afforded by the front-porch neighborhoods in which they are located. They are indeed diamonds in the rough, waiting for an inspired and committed homeowner to make them shine."

When completed, the plan will exceed Luecke's directive in his 2007 State of the City address – a 10 percent reduction over three years – more than a year ahead of schedule. Speaking with members of the South Bend Common Council at a home renovated by the Near Northwest Neighborhood Inc. at 615 Cottage Grove Ave., Luecke outlined the city's new vacant and abandoned housing strategy, which was identified as a key objective of City Plan, South Bend's 20-year comprehensive plan.

The strategy calls for the city to:

- Demolish nearly 400 substandard properties citywide and in targeted neighborhoods with the highest concentration of abandoned buildings for \$1.95 million. (Many of the properties also include garages or other structures.)
- Acquire and clean out 45 abandoned or vacant homes in targeted neighborhoods on the city's northwest and west sides for \$1.5 million.
- Sell for \$1 each these 45 homes to homebuyers or developers (with sale restriction to owner occupants) who would invest at least \$75,000 in rehabilitation in each home for a total of \$3.375 million in private-sector funds. (Individual homebuyers would be required to reside in the home for five years, while developers would have to complete all rehabilitation work before sale, and a five-year occupancy requirement would apply to the subsequent buyer.)
- Work on vacated properties with the St. Joseph County Homebuilders Association, Habitat for Humanity and other nonprofits for infill housing or, when possible, sell the lot to a neighboring homeowner.
- Identify entire blocks as the focus of a specific demolition and redevelopment strategy.
- Provide incentives for residential housing development in South Bend. In a recent meeting with the Home Builders Association of St. Joseph Valley, city officials discussed possible incentives for either scattered single site or large multi-unit developments. Incentives range from tax abatement to residential Tax Incremental Financing districts, utilities and infrastructure aid, architectural design services, identification of available building sites and financial assistance programs for qualified customers.
- Propose for consideration by the Common Council a vacant house registration ordinance, which would require registration of any home that is vacant for more than 90 days and in violation of existing code regulations, if there are not ongoing efforts to market, sell or renovate the property.
- Free up additional resources for boarding up unsafe structures.
- Remain flexible in its implementation of the strategy in order to respond to market changes or unforeseen opportunities.

Vacant and abandoned housing is a nationwide problem with such properties accounting for about 15 percent of the area of the typical large city, more than 12,000 acres on average, according the Brookings Institution.

South Bend has 621 houses that are both vacant and abandoned, according to a May 2006 survey by the city's Department of Code Enforcement. They represent 28 percent of all vacant houses throughout the city. To produce that tally, code inspectors made on-site visits of each property – a task that will become easier this year as inspectors receive new handheld digital devices to streamline their work and make information up-to-date 24/7.

“Many cities lack an accurate tally of the number of vacant and abandoned houses so we already have an understanding of the scope of this challenge,” said Catherine Toppel, director of code enforcement. “In addition, we have been researching an ordinance to register vacant houses for more than a year, so we’re ready to work with the council toward the adoption of another tool to use in improving our neighborhoods.”

The city distinguishes between vacant properties – which have no code enforcement violations and up-to-date taxes – and abandoned properties. Vacant properties that don’t have activity for three months are considered abandoned. In addition to the vacant and abandoned properties, Code Enforcement staff also counted 1,048 homes for sale and 237 for rent in their survey, which adds up to 3,468 vacant, abandoned, for sale and for rent properties.

This strategy’s plan to end the abandonment of 445 houses would represent a reduction of 72 percent of the city’s 621 abandoned houses. Of the overall figure of 2,183 vacant homes, it represents a reduction of 20.4 percent.

“The demolitions will stabilize distressed neighborhoods while the renovated homes will help stimulate investment in commercially viable neighborhoods,” said Jeff Gibney, interim director of community and economic development. “The bulk of the money that goes into every \$1 house will be private.”

South Bend’s Code Enforcement staff has an active list of 95 derelict properties, but insufficient funds for demolition. Using nearly \$500,000 in reprogrammed 2006 Community Development Block Grant funds in the Community and Economic Development budget, Code Enforcement will begin work immediately on those properties citywide for which it already has legal authority to proceed with demolition. With those funds, demolition also will proceed in 2007 on other homes in census tracts with the highest concentration of abandoned buildings.

“By using Community Development Block Grant funds only for demolition, there’s no income requirement associated with those properties,” Toppel said. “The city can sell those properties to developers, adjacent homeowners or neighborhood groups without income limitations.”

Another \$750,000 each in CDBG funds again in 2008 and 2009 will provide Code Enforcement the resources to demolish another 300 substandard homes in targeted neighborhoods.

With the \$1 home program, the city will use the Community and Economic Development capital improvement funds to acquire saleable properties so there will be no income restrictions for prospective homebuyers. The acquisition and rehabilitation program will be administered by non-profit community development corporations, whose responsibilities will include acquisition, specification writing, inspections, client selection and closing.

The city has budgeted \$500,000 each in 2007, 2008 and 2009 to acquire 45 abandoned or vacant houses.

In his 2007 State of the City address, Luecke pledged to reduce vacant housing by 10

percent over the next three years by developing “a series of strategies to address the negative effects of abandoned properties [and] to set higher standards for the maintenance of vacant lots.”

In addition to identification and inspection of abandoned and vacant properties, Code Enforcement already works through both education and enforcement to ensure that properties are maintained for public safety. When necessary, property owners are cited or taken to court to comply with city codes.

In March, the city won a major court ruling to give teeth to its efforts to require real-estate owners in bankruptcy proceedings to adequately maintain their properties. The U.S. Bankruptcy Court for the District of Northern Indiana determined that property owners cannot avoid the obligations of maintaining their properties while in chapter 7 bankruptcy proceedings. In addition, the owner continues to have the same property maintenance obligations, and cannot push those obligations onto a lender holding the mortgage lien, if the lender does not foreclose on the property.

In addition, the vacant and abandoned housing strategy prohibits participation by any prospective buyers with existing properties with code violations. If any purchasers are later discovered to have existing violations, the sales are subject to forfeiture.

National market studies indicate that there is a return of people moving into cities, including first-time homebuyers, single professionals, childless couples, empty nesters and immigrants.

“City dwellers tend to value neighborhood vibrancy and diversity, the accessibility of restaurants and cultural attractions, and the ability to walk to work,” Luecke said. “Cities need good housing to become the vibrant centers of cultural and social life that they are destined to be. Once people begin to see improvement on the street, you’re going to continue to see a turnaround in other private investment in our neighborhoods.”